

NEW SOUTH WALES

BUSINESS STATISTICS - WEEKLY NOTES

12th March, 1940.

This Week's Notes include:-

PART I SEASON: Rain needed.

EXPORT PRICES AND EXTERNAL TRADE CONDITIONS: Export outlook unchanged. Shipping difficulties. British export drive.

WOOL: Position in United States. Prices of raw wool and tops. Policy of British Wool Control.

WHEAT: Sales by Australian Wheat Board. 2nd advance, 1938-39 Pool. Oversea markets firmer. Local trade dull.

BUTTER: Pay to suppliers to North Coast Factories - Feb., 1940.

METALS: Tin and silver dearer in London.

PART II INTERNATIONAL CURRENCY RELATIONS. Tightening of Empire Exchange Control measures. Decline of sterling and franc in New York.

PART III BANK CLEARINGS (SYDNEY)

AMOUNT - February and Jan.-Feb., 1940.

INDEX NUMBER - Three months ended Feb., 1940.

REAL ESTATE, N.S.W.

SALES and MORTGAGES Registered - Feb. and Jan.-Feb., 1940.

PART IV BUILDINGS COMMENCED - Metropolitan Water Board Area.

VALUE and DWELLING HOUSES. - Feb. and Sept.-Feb., 1939-40.

BUSINESS STATISTICS - WEEKLY NOTES - 12th MARCH, 1940.

PART I. PRIMARY AND EXPORT INDUSTRIES.

SEASON. Rain has fallen in recent weeks over a limited area in the north-east of the State, but elsewhere pastures are becoming depleted as the result of the protracted dry spell. Rain is needed generally, and especially in the drought areas of the Upper Hunter Valley and the Liverpool Plains. Preparations for wheat sowing are retarded by dry conditions, which are also affecting orchards adversely.

EXPORT PRICES AND EXTERNAL TRADE CONDITIONS. The position with regard to sale and shipment of Australian exportable produce has not changed materially. The Chairman of the Wheat Board states that shipping for wheat exports is still a problem; space has been arranged for less than 20 million bushels of about 76 million bushels sold for export. As prices of major export commodities (including part of the wheat surplus) are fixed under contracts with the British Government, the level of export prices is subject to little variation. The index number (Commonwealth Bank) for February, 1940 was estimated at 81.3 (average 1927=100) which is about 24 per cent. above the average for February, 1939 and nearly 8 per cent. above the average for the five years ended June, 1939.

INDEX OF AUSTRALIAN EXPORT PRICES.

	Average, Calendar Year 1927= 100.					Average - Years ended June.		February.
	<u>1935.</u>	<u>1936.</u>	<u>1937.</u>	<u>1938.</u>	<u>1939.</u>	<u>1939.</u>	<u>1940.</u>	
In Australian Currency.	61	76	92	82	66	66	81	
In Sterling	49	61	73	66	53	52	65	

The London stock market was inactive last week, influenced by the £stg.300 million war loan which opened on March 12, but bond and share values were relatively steady. In New York industrial shares appreciated. Latterly the index of industrial production in the United States has declined although the allies and neutral countries have placed large-scale war material orders in that country.

A drive for trade is being made by the British Export Council "The formation of export groups of over 20 industries marks a departure in commercial policy which is likely considerably to influence supplies of commodities for the Home market." (Statist).

WOOL. Wool appraised in Sydney this season now totals 1,125,900 bales. This compares with 996,000 bales sold in July-March, 1938-39. According to a New York press report, regarding Australian criticism of the British Wool Control, ample stocks of wool are available in the United States and American traders do not regard prices as too high. Much South African and South American wool was bought in the scramble for supplies after the outbreak of war when Australian wool was off the market.

So far 125,000 bales (say 37.5 million lb.) of Australian wool have been allocated to the United States this season. Exports to the United States for five seasons were:-

	<u>1934-35.</u>	<u>1935-36.</u>	<u>1936-37.</u>	<u>1937-38.</u>	<u>1938-39.</u>
Million lb.	5.5	25.5	75.6	5.0	22.3

United States consumption of wool in the eleven months ended November, 1939 was 40 per cent. greater than in 1938.

/The British.....

PART I. (Continued.)

The (British) Wool Controller stated (5.3.40) "the stocks we are building up will only be reasonably adequate for the draw which will have to be made on them" and "there will be no withholding of supplies that can be released with due regard to the maintenance of a proper margin of safety".

Prices of tops in Bradford have risen over 50 per cent. since August last (64s. merino per lb. Aug., 1939, 26½d.; Nov. 10, 1939, 30½d.; Mar., 1940, 41¼d.) Part of the difference between this and the increase of 30 per cent. for raw wool in Australia is due to higher shipping and insurance charges.

British wool consumption is the highest on record. A wool export industry group has been formed in Bradford. No benefit (other than that of absorption of wool) will accrue to Australian growers from an expansion of British manufactures and semi-manufactures of wool, but if more foreign exchange is secured, the Allies' war ends may better be served in that way than by the sale of equivalent quantities of raw wool to neutrals.

The agreed British purchase price for Australian wool compares with average prices secured at auction in recent seasons as under:-

AVERAGE PRICE OF GREASY WOOL IN SYDNEY.

Seasons ended June.

1926-29. 1931-33. 1936-38. 1938. 1939. 1940. (a)

Pence (Aust.)
per lb.

17.2 8.5 14.3 12.7 10.3 13.4

(a) Agreed price under British purchase; subject to addition of one-half profit on resale of wool outside the United Kingdom.

WHEAT. The fortnightly statement of the Chairman of the Wheat Board revealed that in all about 92 million bushels of new season's wheat had been sold to the end of last week, including 6,043,000 bushels in the last fortnight. His statement that shipping space had been arranged for 523,000 tons of wheat and ships were required for a further 1,518,000 tons implies that in all about 76 million bushels have been sold for export. This represents rather less than one-half the 1939-40 exportable surplus. "Assuming that the present value was obtained for wheat still unsold the average price, f.o.b., would be 4s.0½d. a bushel for bagged and 3s.9.2½d. for bulk wheat."

For the 1938-39 pool a second advance of 8d. a bushel for bagged and 6d. a bushel for bulk wheat, bringing payments to 2s.8d. and 2s.6d. a bushel, f.o.b., respectively, has been recommended.

Wheat futures in Chicago fully recovered the ground lost in the preceding week and quotations were firm also in Winnipeg. The extent of frost damage, in North America and Europe, believed to be considerable, is not yet known. No large international sales of wheat have been reported recently. The possibility of Australia securing a substantial market in the Orient (if shipping can be arranged) is being canvassed oversea. Depreciation of the Australian (and British) currency in terms of foreign currencies should assist export sales.

The local market is dull. No important export sales have been announced recently. The Board's prices, f.o.r., Sydney (for local consumption and small export orders) are unchanged at 3s.9½d. per bushel for silo, and 4s.0½d. per bushel for bagged wheat.

/In the.....

PART I. (Continued.)

In the absence of any new large oversea sales the f.o.b., export value of bulk wheat may be taken as about 3s.8½d. per bushel - the price fixed for the British purchase which covers most of the wheat in course of export. The price of flour (unchanged) in Sydney is £12 10s. per ton. Very little wheat has been sold for gristing for flour exports in recent weeks.

PRICES OF BULK WHEAT - NEW SOUTH WALES.

	Ex Trucks, Sydney.	Equivalent Ex Farm, Country Siding. (a)
	s.d. per bushel.	
Average - Seasons 1930-31 to 1934-35.	2 9½	2 2½
- Season 1936-37	5 3	4 8
- " 1937-38	4 0	3 4½
- " 1938-39	2 6½	1 11
- February, 1939	2 5½	1 10
- " 1940	3 9½(b)	(c)
March 9, 1940	3 9½(b)	(c)

(a) Excluding bounty. (b) Prices for sale for local consumption.

(c) Farmers have been advanced 2s.6d. a bushel less rail freight. A further substantial payment is likely if the surplus is sold.

BUTTER. Recent soaking rains may maintain output on the far North Coast, but, due to the dry summer, butter production is declining in all areas south of the Clarence River.

The local wholesale price of butter (unchanged since June 8, 1938) is 158s.8d. per cwt.

For cream supplied to certain North Coast factories in February, 1940, farmers are being paid 12½d. per lb. of commercial butter made. This compares with prices (per lb.) in February of 10d. in 1937, 11½d. in 1938, and 12½d. in 1939. For February, 1940 the pay includes part of the retained 10 per cent. (payable on arrival in U.K.) of the British price, and the balance will supplement amounts otherwise accruing for distribution as deferred pay. The amount of deferred pay for the period January-July 1940 is likely to be considerably larger than usual.

PAY FOR CREAM SUPPLIED TO CERTAIN NORTH COAST FACTORIES, N.S.W.

	<u>Sept.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Deferred Pay</u> <u>July-Dec.</u>
	Pence per lb. of commercial butter.						
1933-34	11	9	7½	7	6½	6¾	5/8
1936-37	11	10½	11	10¼	10	10	17/8
1937-38(a)	13	13½	10¾	10¾	10¾	11¼	3/8
1938-39(a)	12¾	12	11½	11¼	12¼	12½	5/16
1939-40(a)	12¼	12	11¾	12	12½	12½	3/4

(a) Cartage charges paid by factories (about 3/8d. per lb.)

The price is a synthesis of realizations in local and oversea markets. An appreciable increase in the income of dairy farmers is suggested by the marked expansion of exports. For New South Wales these were:-

/lb. (000)

PART I (Continued.)

	<u>lb.(000)</u>	<u>£(000)</u>	<u>Av.per lb.</u>
July-January, 1938-39	14,027	782	13,38d.
" 1939-40	22,708	1,390	14.69d.

The course of butter prices is:-

PRICES OF BUTTER IN SYDNEY - EXPORT AND LOCAL.

	<u>Average - Seasons ended June -</u>				<u>At March 9.</u>	
	<u>1939-32.</u>	<u>1933-36.</u>	<u>1937-39.</u>	<u>1939.</u>	<u>1939.</u>	<u>1940.</u>
	Shillings (Aust.) per cwt.					
Export Parity	135	88	122	123	130	137(a)
Local Sales	173	134	150	159	159	159

(a) Agreed price for British purchase, 1939-40.

METALS. According to a trade report tin was in strong demand in London last week. Reduction in the production quota for June Quarter to 80 per cent. compared with 120 per cent. for the preceding six months, and declining world visible supplies (from 30,695 tons in October to 23,865 tons in February, 1940) is leading to higher prices. On March 8 the quotation (buyers) was £256 5s. per ton - highest since Dec.19, 1939. Tin is one of five commodities the proceeds of export sales of which are now required to be realized in particular foreign currencies under regulations made in Britain and other Empire countries - another step in building up resources of foreign exchange for the war effort.

Prices of lead, zinc and copper remain at the Ministry of Supply's fixed maxima.

Silver rose about 1d. per oz. over the past week but is still about 2d. per oz. below the average of Nov.-Dec. last.

Comparisons of metal prices in London are:-

PRICES OF METALS - LONDON
(In Sterling.)

	<u>Silver.</u> oz.	<u>Lead.</u> (ton)	<u>Spelter.</u> (ton)	<u>Tin.</u> (ton)	<u>Copper.</u> (Standard) (ton)
	s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.
Aver. 1936	1 8.1	17 12 6	14 19 10	204 12 8	34 9 7
" 1937	1 8.1	23 6 1	22 6 1	242 6 7	54 10 7
" 1938	1 7.5	15 5 4	13 19 10	189 12 1	40 15 0
" - Aug., 1939	1 5.7	16 0 10	14 12 7	229 18 9	44 14 8
" - Feb., 1940	1 8.9	25 0 0 0	25 15 0 0	242 19 8 ^x	★
March 8, 1940	1 9.3	25 0 0 0	25 15 0 0	256 5 0 ^x	★

∅ Maximum prices fixed by British Ministry of Supply. x Open market (buyer's quotes). ★ Standard not available. Electrolytic fixed at £ stg. 62 per ton by British Ministry of Supply.

/PART II.....

PART II. INTERNATIONAL CURRENCY RELATIONS.

1931-Sept. 21	Great Britain left Gold Standard.
1933-March 6	United States technically off gold.
1936-Sept. 26	French franc devalued (about 30%). Tripartite Currency Agreement announced.
1937-July 1	Gold Standard suspended in France.
1938-May 5	Franc devalued and linked to sterling.
1939-Sept. 5	Bk. of England's buying price of gold. pegged at £8.8s. 0z.

	London Price of Gold. Per oz. fine.	London on New York.	London on Paris.	New York on Paris.
	£. s. d. (Sterling).	\$ to £stg.	Fr. to £stg.	\$ to Fr.100.
Old Parity	4 4 11	4.86	124.2	3.92
Nov. Oct., 1936	7 1 11	4.90	105.1	4.67
Sept., 1937	7 0 4	4.95	140.7	3.52
May, 1938	7 0 1	4.97	176.6	2.82
Dec., 1938	7 8 10	4.67	177.4	2.63
July, 1939	7 8 6	4.68	176.7	2.65
Aug., 1939	7 10 6	4.61	176.4	2.62
Oct., 1939	8 8 0	4.03	176.5	2.28
Feb., 1940	8 8 0	4.03	176.6	2.25
Feb. 17, 1940	8 8 0	4.03	176.6	2.25
Mar. 2, 1940	8 8 0	4.03	176.6	2.23
9, 1940	8 8 0	4.03	176.6	2.20

It has been announced in London that Britain and other Empire countries will require that payment for rubber, tin, jute, whisky and fur exports must be collected in nominated foreign currencies. Previously payment might be made in sterling often bought by the importer in free, unofficial markets. As it was possible, in these conditions for an egress of British capital to take place, the potential accretion of overseas resources for essential imports was not always realised.

Expectations of action along these lines caused a sharp rally in sterling in New York early in the past week, but after recovering to \$3.94 to £stg. on Thursday, the quotation fell back to \$3.87 to £stg. on Saturday - the lowest rate of this year. The dollar-franc rate moved to its lowest level since early December, 1940.

PART III. FINANCE AND TRADE.

BANK CLEARINGS. Cheques cleared through Sydney banks in February, 1940 totalled £88.9 million; a record for the month and about 20 per cent. more than in February, 1939. The average for the two months ended February 1940 was approximately 21½ per cent. greater than for the corresponding period a year earlier. Totals for recent months are swollen by the first wheat advance and the accelerated turnover of wool, but there has been an appreciable expansion of general business.

The amount of business clearings in the first six months of the war was about 7 per cent. greater than in the corresponding six months of 1938-39. The comparative totals were:-

	£ million
September - February, 1937-38	468.2
" " 1938-39	469.9
" " 1939-40	502.2

Clearly, higher primary prices, increased rural production, and war expenditure have, directly and indirectly, brought business as a whole to a new high level. Costs of production have been kept relatively steady, seasonal conditions, though uncertain, are yet satisfactory, and war activities are likely to stimulate industry and trade still further. The industrial dispute in the coal mining industry appears the major factor prejudicing the immediate future of business prospects.

INTER-BANK CLEARINGS - SYDNEY.

	<u>Amount. (a)</u>	<u>Index Number. (b)</u>
	<u>Month of</u> <u>January.</u>	<u>Two Months</u> <u>ended Feb.</u>
	<u>Dec.-Feb.</u>	
	£ million.	1926-30 = 100.
1929	88.1	174.3
1932	47.3	94.0
1937	77.4	154.1
1938	75.6	143.1
1939	75.5	142.0
1940	88.9	171.5

(a) Excluding Treasury Bill transactions.

(b) The index is adjusted to eliminate the effect of bank amalgamations and special governmental transactions, but not for changes in the price level.

REAL ESTATE. In February, 1940 sales of real estate registered were a little greater in amount than in February, 1939 but otherwise, totals for each of the past twelve months (excepting July) were less than in the corresponding month of the preceding year. Mortgages registered in February were, as in 12 of the 14 preceding months, below the amount of a year earlier. In the six months since the war began the decreases compared with Sept-Feb., 1938-39 were 15 per cent. for sales and 27 per cent. for mortgages, accentuating the decline (sales 12%, mortgages 9%) of the earlier months of 1939. Recent trends may be illustrated as under:-

Real Estate Transactions Registered N.S.W.	Average Value (£ million) per month.					
	January-August.		September-November		December-February	
	1938.	1939.	1938.	1939.	1938-39	1939-40
Sales	3.22	2.81	2.95	2.55	2.56	2.16
Mortgages	2.23	2.02	2.27	1.64	1.92	1.42

/The market.....

PART III. (Continued.)

The market is said to have brightened in recent weeks, and values are very firm. There is little activity in city investment property but agents report good enquiry for other property for business and industrial purposes, investment and homes. Reduced new house and flat construction has turned attention to existing buildings. Because of a small increase in the average rate of interest on urban mortgages the allowable return under the Fair Rents Act, 1939 on investment in rented property will become $7\frac{1}{4}$ instead of 7 per cent. as from March, 1940.

REAL ESTATE TRANSACTIONS - NEW SOUTH WALES.

	Month of February.		Two Months ended February.	
	Sales.	Mortgages.(a)	Sales.	Mortgages.(a)
	Amount of Considerations: £1,000.			
Av. 1925-29 (b)	(4,619)	(4,042)	(9,238)	(8,084)
1936	2,564	1,200	4,717	2,441
1937	2,596	1,688	5,550	3,549
1938	3,284	1,868	5,668	3,639
1939	2,438	1,841	4,887	3,432
1940	2,524	1,428	4,408	2,908

(a) Normal renewal of mortgages is included in the figures for 1925-29. Renewals were rendered unnecessary in many cases by the Moratorium Act, 1930.

(b) Monthly and Two Months' averages.

PART IV. INDUSTRIES.

BUILDING INDUSTRY.

Buildings Commenced - Metropolitan Water Board Area.

The trend in building activity is ill-defined, but the level is appreciably below that of 1937-38. In February buildings commenced were below the value in Feb., 1939 but for the six war months the total was a little higher than a year ago. The construction of factories, etc. has remained at a high level, housebuilding has declined only slightly and latterly the building of flats has revived somewhat. The number of houses commenced in February, 1940 (615) was a little below the average for 1938 or 1939, and in Sept.-Feb. about 6% less than in the corresponding period of 1938-39.

The value of buildings commenced in the Metropolitan Water Board Area in February, 1940 was £887,000. This was slightly below the monthly average (£948,000) for the first five months of the war and £166,000 less than in February, 1939. Totals have varied widely in recent months. While the trend is not definite, it would appear that building activity is much the same as a year ago, somewhat below the level of pre-war months, and appreciably less than in 1937-38.

BUILDINGS COMMENCED - METROPOLITAN WATER BOARD AREA.

Value in Thousands of Pounds.

	Average per month			Monthly Totals.						Total.
	Mar.- Aug.	Sept.- Nov.	Dec.- Feb.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Sept.- Feb.
1937. and 1938	924	1056	1047	1074	936	1158	1055	1168	919	6310
1938 " 1939	1143	936	930	972	846	989	788	949	1053	5597
1939 " 1940	1089	938	938	840	931	1044	555	1371	887	5628

Compared with a year ago the value of buildings undertaken in the suburbs was practically unchanged both in February and the six months ended February. In the city there was a marked decrease in February but due to the exceptional total of £455,000 for January 1940, the value for the last six months was £42,000 greater than a year earlier. There were decreases of about 20 per cent. in the city and 9 per cent. in the suburbs in comparison with the totals for Sept.-Feb., 1937-38. Amounts in the city and suburbs were:-

	<u>City.</u>		<u>Suburbs.</u>		<u>Water Board Area.</u>	
	<u>Feb.</u>	<u>Sept.- Feb.</u>	<u>Feb.</u>	<u>Sept.- Feb.</u>	<u>Feb.</u>	<u>Sept.- Feb.</u>
	£000		£000		£000	
1937-38	153	1,113	766	5,197	919	6,310
1938-39	252	851	801	4,746	1,053	5,597
1939-40	85	893	802	4,735	887	5,628

Over the past three years the construction of business premises, particularly factories, has been at a relatively high level. This reflects the great post-depression expansion of secondary industries and its continuance is apparently due in large part to recent development of war industries and of enterprises to produce commodities affected by the control of imports, both statutory and by limitations of shipping space. In the six war months the value of business premises commenced (£3,416,000) was £229,000 or about 17 per cent. greater than in Sept.-Feb., 1939.

/Value of

PART IV. (Continued).

VALUE OF FACTORIES, SHOPS, WAREHOUSES, OFFICES, ETC. COMMENCED.

Metropolitan Water Board Area.

Value in Thousands of Pounds.

	March- August.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Total Year ended Feb.
1937 and 1938	2,124	315	244	312	307	515	274	4,091
1938 and 1939	1,860	213	182	240	212	155	360	3,222
1939 and 1940	1,825	196	168	312	114	657	144	3,416

Housebuilding has decreased slightly - partly owing to the effect of lack of new finance on the operations of co-operative building societies - but remains at a relatively high level; the decrease in value for Sept.-Feb. from 1938-39 to 1939-40 was only about 2 per cent. For flats there were increases in January and February compared with a year ago but there has been a marked decrease since 1937-38 and for the last six months the total was 17 per cent. less than in Sept-Feb. 1938-39. Particulars for the month of February and the six months ended February compare as under:-

BUILDINGS COMMENCED - METROPOLITAN WATER BOARD AREA.

Including New Buildings, Alterations etc. and Government Buildings.

Type of Building.	February.		Six Months ended February.						
	Value (£000)		Value (£000)				Proportion of Total.		
	1939.	1940.	1937.	1938.	1939.	1940.	1938.	1939.	1940.
							%	%	%
Dwelling Houses	523	494	1993	2540	2928	2868	40.3	52.3	51.0
Flats	99	163	624	1233	908	756	19.5	16.2	13.4
Business Premises	360	144	1400	1967	1362	1591	31.2	24.4	28.3
Miscellaneous	71	86	312	570	399	413	9.0	7.1	7.3
Total	1053	887	4329	6310	5597	5628	100	100	100
City Buildings	252	85	756	1113	851	893	17.6	15.2	15.9
Suburban	801	802	3573	5197	4746	4735	82.4	84.8	84.1

DWELLING HOUSES. The number of dwelling houses commenced in this area in February was 471 in 1938, 657 in 1939 and 615 in 1940. In September-February the number commenced this year (3,495) was 240 (6 per cent.) less than last year, but 357 more than in 1937-38. The average for the past six months (583) is not greatly below the averages for the years 1938 (621) or 1939 (612). Nor do monthly figures suggest a progressive decline:-

Sept. Oct. Nov. Dec. Jan. Feb. Sept-Feb.

Number of Dwelling Houses Commenced.

1938-39	643	637	681	535	582	657	3,735
1939-40	617	647	626	390	600	615	3,495

Comparisons with earlier years are as follow:-

/NUMBER.....

PART IV. (Continued.)

NUMBER OF DWELLING HOUSES COMMENCED - METROPOLITAN
WATER BOARD AREA.

(Not including Flats.)

	March Qr.	June Qr.	Sept. Qr.	Dec. Qr.	Calendar Year.	Six Months ended -	
						August.	Feb. (a)
1935	941	912	1125	1065	4,043	2,041	2,248
1936	1273	1251	1668	1195	5,387	2,778	2,536
1937	1152	1212	1618	1592	5,574	2,640	3,138
1938	1627	1857	2120	1853	7,457	4,011	3,735
1939	1859	1785	2034	1663	7,341	3,822	3,495

(a) Following year.

In the last few weeks £200,000 of new money at $4\frac{3}{4}$ per cent. has been allocated to building societies and it is believed that there is prospect of further accommodation being made available for co-operative home building in the near future.